



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0296823

THE APPLICATION OF SN OPERATING, LLC FOR A PERMANENT EXCEPTION TO STATEWIDE RULE 32 FOR THE HAUSSER LEASE, BRISCOE RANCH (EAGLE FORD) FIELD, FRIO COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. - Technical Examiner
Marshall F. Enquist - Hearings Examiner

DATE OF HEARING: July 14, 2015

CONFERENCE DATE: August 25, 2015

APPEARANCES:

REPRESENTING:

APPLICANT: Dale Miller

SN Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

SN Operating, LLC(SN) requests a permanent exception to Statewide Rule 32 to flare gas from its Hausser Lease, Well Nos. 2H and 3H in the Briscoe Ranch (Eagleford) Field, Frio County, Texas. All offset operators in the subject field were notified of the hearing; the application is not protested.

DISCUSSION OF THE EVIDENCE

SN requested a permanent exception to flare 150 MCF/D from each well or a maximum rate of 300 MCF/D for both wells. The Examiners decline to recommend a permanent exception but will recommend an exception for a two-year term. SN indicated at hearing that it does not consider a two-year exception to be adverse.

16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than 50 MCF/D may be granted administratively for a period up to 180 days. Furthermore, flaring exceptions beyond the 180 days shall be granted only in a final order signed by the Commission. Statewide Rule 32 contains no notice of application requirements. SN obtained administrative permits, Permit Nos. 20532, and 20533 for Well Nos. 2H & 3H respectively. The two wells were

permitted to flare 150 MCFGPD each for 180 days, from February 08, 2015 through August 08, 2015. On May 15, 2015, before the administrative permit expired, SN requested a hearing to obtain an exception by Final Order. SN is requesting a two year flaring exception from August 08, 2015 through August 08, 2017.

The Hausser 2H & 3H wells were completed on December 16, 2014 in the Briscoe Ranch (Eagleford) Field in Frio County. The Hausser 2H & 3H are located 13,482 feet (straight line) from the nearest gas gathering pipeline, which is operated by Access MLP Operating, LLC. The gas has a hydrogen sulfide (H₂S) concentration of 300 ppm. SN estimates 108,840 MCFG recoverable gas reserves.

SN provided financial calculations demonstrating that the construction and operation of a pipeline connection to the wells for 150 MCFGPD per well would result in negative revenue over the life of the wells. If a pipeline connection were established, compression and other operating costs would still be economically unfeasible.

FINDINGS OF FACT

Proper notice of this hearing was given to all offset operators at least ten days prior to the date of hearing. There were no protests to the application.

1. The Hausser 2H & 3H wells were completed on December 16, 2014 in the Briscoe Ranch (Eagleford) Field in Frio County, Texas.
2. The gas has a hydrogen sulfide (H₂S) concentration of 300 ppm.
3. SN obtained administrative permits, Permit Nos. 20532, and 20533 for Well No. 2H & 3H respectively. The two wells were permitted to flare 150 MCFGPD a piece from February 08, 2015 through August 08, 2015 for a total of 180 days.
4. SN is requesting a two year flaring exception from August 08, 2015 through August 08, 2017.
5. SN estimates 108,840 MCFG recoverable gas reserves.
6. The nearest pipeline connection is 13,482 feet from the wells.
7. SN believes it does not have an economically feasible option for legal disposition of the flared gas at this time.
8. An exception to Statewide Rule 32 to flare or vent gas will allow SN to continue to produce oil from the Hausser Lease, Well Nos. 2H and 3H.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of a two-year exception to Statewide Rule 32 to flare 150 MCFGPD from each of the two subject wells will prevent waste of oil, will not harm correlative rights, and will promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant a two year exception to Statewide Rule 32 for the subject wells as requested by SN Operating LLC.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. The requested authority to flare up to 150 thousand cubic feet per day from each of the two wells for a total of 300 thousand cubic feet per day casing-head gas derived from the Hausser Lease, Well Nos. 2H and 3H in the Briscoe Ranch (Eagleford) Field, Frio County, Texas satisfies the requirements of Title 16, Texas Administrative Code §3.32.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception flare casing-head gas from the Hausser Lease, Well Nos. 2H and 3H, in the Briscoe Ranch (Eagleford) Field, Frio County from 150 MCFGPD each for a total of 300 MCFGPD from August 08, 2015 through August 08, 2017.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'R. Eyster', written in a cursive style.

Richard Eyster, P.G.
Technical Examiner

A handwritten signature in blue ink, appearing to read 'M. F. Enquist', written in a cursive style.

Marshall F. Enquist
Legal Examiner